

# Capital Planning

## ***OVERVIEW OF CAPITAL PLANNING***

Boston's Five Year \$1.1 billion Capital Plan renamed in FY05 "Together, We CAN" is an investment program for the City's future. The underlying framework for the plan emphasizes (1) the strategic use of infrastructure to promote economic development, neighborhood revitalization, quality education, health care, and public safety, (2) comprehensive planning to lay the foundation for future growth, and (3) effective government management to provide leadership and vision to deliver necessary municipal services efficiently.

The new program name "Together, We CAN" reinforces the idea that **Cities Are Neighborhoods** and that the capital plan is a strategic tool shaped by many hands and designed to enhance the livability of a city that at its core draws strength from its neighborhoods.

The Office of Budget Management (OBM) is responsible for managing the City's capital plan and budget. OBM coordinates the evaluation of capital requests, forecasts the timing and financial requirements of new construction and rehabilitation and recommends the allocation of current and future resources by monitoring capital expenditures.

## ***Capital Planning Process***

Capital needs and resource availability are assessed annually through a capital planning process that results in a five-year capital plan. The first year of the spending plan is considered the City's capital budget and expenditures against this budget are closely monitored. To emphasize the balance between need and resource availability, the budget document (in Volumes II and III) includes both capital authorizations and expenditure projections for each project.

## ***Steps in the Process***

The process begins with a capital improvement project request period where all departments have an opportunity to identify their facility, equipment, infrastructure and planning needs in a systematic manner and to forward their proposals to OBM for funding consideration. The development of department

project requests may involve both internal assessments of current need as well as a review of external constituent requests.

The departmental requests must be comprehensive and meet threshold criteria established each year. Project requests include cost estimates, descriptions of the proposed scope of work, useful life statements and project justifications related to the primary criteria.

All capital improvement projects requesting funding consideration this year had to meet at least one of the following threshold criteria:

- Complies with the Americans with Disabilities Act (ADA)
- Improves health and safety
- Supports economic development
- Enhances general government effectiveness
- Mitigates an environmental hazard
- Responds to a legal, legislative or administrative mandate
- Preserves existing municipal facilities

The total cost of a proposed project must also consider its long-term effect on the City's operating budget. Accordingly, project requests also include information describing the proposed projects anticipated effect on personnel, utilities, maintenance and supply costs as well as expected changes in service demand or delivery of departmental programs. As a practical matter, it is assumed that certain types of projects such as energy conservation/efficiency (i.e. heating system upgrades, roof and window replacements) provide operating savings and OBM continues to work with departments to measure these savings.

Finally, federal tax law regulations included in the 1986 Federal Tax Reform Act require a review of the submissions to determine the extent to which private purposes or benefits exist for each project. This review is necessary for Boston to maintain its tax-exempt financing status.

New capital requests that are recommended for funding are placed into a multi-year spending plan along with projects previously authorized. The Mayor submits the capital plan to the City Council each year. The City Council, in turn, holds public hearings to consider approving project authorizations. This year's capital plan identifies 491 new and continuing projects and proposes \$94.0 million in new project authorization.

### ***Financing the FY05-FY09 Capital Plan***

Financing for the capital plan is derived from the following sources:

#### **General Obligation (G.O.) Bonds**

General obligation bonds represent 63.4% of all project funding. This year's plan assumes \$445 million in new general obligation borrowings over the next five years to support ongoing capital needs. In addition, the City expects to issue approximately \$96 million in FY06 to retire bond anticipation notes currently financing the construction of two new middle schools and a new K-8 school.

#### **Bond Anticipation Notes (BANs)**

The financing plan for the three new schools is designed to take advantage of the reimbursement of funds from the State under the School Building Assistance Program (SBA). Under SBA, the City expects to receive approval for 90% reimbursement on approved project costs for the three schools. To best match the projected cash flow from SBA, the financing for these schools was structured as bond anticipation notes (BANs) for the construction period with permanent financing structured to mirror the reimbursement payments from the State. In a slight departure from this strategy, the City issued \$25 million in G.O. bonds in February 2003, to retire the first bond anticipation note. The debt issuance was accelerated to take advantage of current low interest rates for a portion of the project that was not reimbursable by the State.

The City's share of the Boston Convention and Exhibition Center (BCEC) project which totals \$157.8 million was financed by bond anticipation notes issued in May 1999 and February 2000. The City retired all outstanding notes with cash from the hotel excise fund established with the BCEC legislation and with the proceeds of Convention Center Special Obligation Bonds issued in April 2002. (See Major Capital Projects - Boston Convention and Exhibition Center)

### ***Highlights of the FY05-09 Capital Plan***

#### **Education**

- Burke High School addition
- Holland School renovation
- Winship School reopening
- New E.L.C. at Baldwin School
- BCLA/ACC relocation to Taft Building
- Round 6 School Yard Improvements

#### **Public Safety**

- Two (2) New Platform Fire Trucks
- New Fire Training Simulator
- Renovation work at 2 police stations
- Planning for new Police stations

#### **Basic Services**

- New Play Equipment And Ballfield Renovations
- Artificial turf fields at Madison Park, East Boston Memorial Park and Pagel Playground

#### **Streets, Transportation & Sanitation**

- Scollay Square and Boylston Street
- Greenway Crossroads Initiative
- Cambridge Street
- Traffic Signal and Safety Zone Improvements

#### **Human Services**

- Strand Theater Improvements
- Blackstone Community Center Renovations
- Roslindale Community Center Improvements
- Replace pool liners at Paris Street Pool, Mason Pool and Holland Community Center

#### **Chief Operating Office/Chief Financial Office**

- Connolly Branch Library Upgrade
- McKim Phase II C Restoration
- Renovations and Access Improvements at Seven (7) Branch Libraries
- Replace Roofs at Five (5) Branch Libraries
- Johnson Building Fire Alarm Upgrade

#### **Economic Development**

- Aquarium/Central Wharf
- Pier 4, Charlestown Navy Yard

#### **Public Health Commission**

- New Fire Alarm System
- Critical repairs for Long Island Facilities
- Infrastructure Improvements at Long Island

#### **Environmental Services**

- Open Space Acquisition Fund
- Belle Island Remediation

### State and Federal Funds

State and federal funds, as sources of capital financing, are currently estimated at \$250.4 million from state and \$109.4 million from federal programs. Specific financing programs provide key resources for Boston's Capital Plan. Examples of these programs include:

**School Building Assistance Program:** This State Department of Education (DOE) program is an important revenue source for school renovation and construction. In July 2000, the State legislature repealed the former school building assistance (SBA) program and enacted Chapter 70B of the General Laws. The reimbursement rates under Chapter 70B range from 50% to 90%, the same as the former law although the method of determining the appropriate rate is different. Under most conditions the City's school construction projects will continue to receive ninety percent reimbursement for the eligible project costs. The reimbursement period generally corresponds to the term of outstanding debt for each school project. Reimbursement payments are made to the City's General Fund and are included as part of the annual State Aid package. In FY02 the State reduced its funding of this program from approximately \$50 million to \$20 million annually.

In March 2003, the Governor instructed the DOE to give only the most urgent FY03 project applications preliminary approval for inclusion on the priority waiting list. In addition, the DOE was directed to place a moratorium on FY04 project applications while the department and legislature prepared a comprehensive approach to restructuring the SBA program. In April, the DOE notified the City that the Burke High School project was among twenty-eight projects statewide given preliminary approval. The Burke High School is currently on a prioritized waiting list for school building assistance funding.

In January 2004 the Governor filed a bill to restructure the current School Building Assistance Law. The bill would fully reimburse cities and towns for all projects on the current priority waiting list and not yet in construction by FY09; the state would establish an escrow fund to pay for the remaining grant amounts due on projects currently receiving reimbursement; the bill also sets out specific reforms to public construction laws. Discussion with the legislature is ongoing and the legislature itself is contemplating filing its own School Building Assistance reforms.

At the moment the outcome of these reform proposals is uncertain and the city continues to monitor the debate.

While it is uncertain exactly which changes may be adopted the current proposals do not have an adverse impact on the city since current payment streams are expected to continue as scheduled. The one area that may impact the city is in the timing and schedule of reimbursement for the three new schools that opened in September 2003. The city's current financing plan assumes that the temporary notes issued to support the project will be retired with long-term G.O. debt in FY06. There is the possibility that the State will make a lump sum payment to the city for its share of the projects' costs. In that instance, the city would issue a much smaller amount of long-term debt than currently planned.

Until the current debate regarding SBA reform is concluded, the city continues to expect annual reimbursements for the three new schools to begin no earlier than FY07. Reimbursement payments from the state for all projects, including the three new schools, due between FY05-FY09 are forecast at \$95.1 million.

**Chapter 90 Funds:** Administered by the Massachusetts Highway Department, Chapter 90 funds are allocated by formula through State bond authorizations and through the State budget to all cities and towns in the Commonwealth. Based on current allocations, \$7.25 million in Chapter 90 funds have been provided annually.

**Transportation Improvement Program (TIP):** The TIP is a statewide road and bridge construction advertisement program developed under the management of the Commonwealth of Massachusetts Executive Office of Transportation and Construction (EOTC). It includes both locally owned roads and bridges as well as state owned roads and bridges. The TIP's funding sources include state issued general obligation bonds and federal dollars, which are available through the \$218 billion Transportation Equity Act for the 21st Century (TEA-21) which is authorized by Congress through Federal FY03. The continuation of TEA-21 program, the so-called TEA-3 legislation, is still awaiting Congressional reauthorization. State departments including the Massachusetts Highway Department (MHD), the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts Turnpike Authority (MTA) use the TIP to manage the bidding and awarding of state construction projects.

**Massachusetts Water Pollution Abatement Trust (MWPAT):** A statewide revolving fund that commenced operations in 1990 to address necessary environmental actions outlined in the Federal Clean Water Act. \$13.4

million was included in an October 1999 MWPAT bond issue to cap the former Gardner Street landfill as a non-point source of water pollution and to create Millennium Park. Boston will repay the MWPAT for these essentially zero interest bond funds over twenty years.

#### **Trust Funds**

The City's Trust Office manages trust funds and bequests from private citizens that are dedicated to Boston's public spaces. While these trust funds represent a small percentage, less than 1% of the overall revenue to the capital plan, they play an important role. Grants from the Edward Ingersoll Browne Trust Fund have been used for the restoration of neighborhood parks, schoolyards and public spaces. The George Robert White Fund is used to support facilities owned by the Fund.

#### **Expenditures**

Capital expenditures totaled \$160.8 million in FY03. The total includes \$93.8 million for general obligation bond spending, \$48.5 million for new school construction and \$18.5 million from grants. G.O. spending was bolstered by the acquisition of a commercial office building that was previously leased by the city. Excluding the purchase of 1010 Massachusetts Avenue, total capital spending in FY03 was \$129.2 million well within the original FY03 Adopted Budget projection. Construction neared completion on the three new schools. Technology upgrades continued with sixteen schools scheduled for data wiring and electrical upgrades. The Parks and Recreation Department completed several major projects including a significant refurbishment of Christopher Columbus Park and the installation of artificial turf fields at Joe Moakley Park and English High School. The Fire Department ordered five new pumper trucks with foam capabilities through a grant from the Massachusetts Highway Department. The Public Works Department continued engineering and design work on several major roadway reconstruction projects while at the same time resurfacing roads and repairing sidewalks throughout the City.

The City adjusted its capital plan for FY04-FY08 as the fiscal climate changed. The FY04 G.O. spending level was reduced \$10 million from what was projected in the FY03-07 borrowing plan.

Total capital expenditures in FY04 are forecast at \$103 million. The total includes \$65 million for general

obligation bond spending, \$16 million for new school construction and \$22 million from grants. In addition to the new schools opened in September 2003, the School Department continued to replace boilers, heating systems, and roofs in its existing buildings. The School Department continued design and engineering to upgrade and replace fire alarm systems in seven schools. Renovations or roof replacements began at eight branch libraries. Bids were received for a new fire alarm system at the central library's Johnson Building.

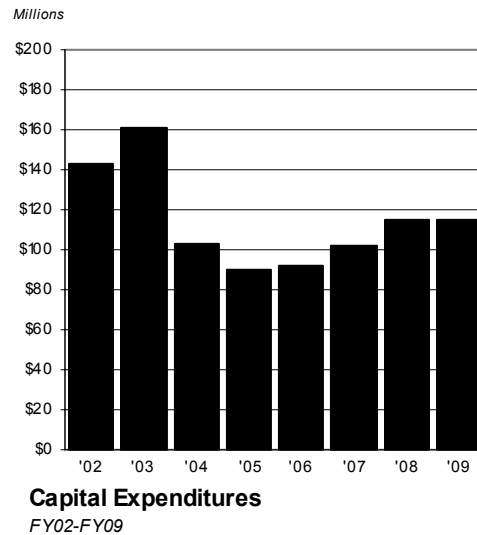


Figure 1

The FY05-FY09 capital plan reaffirms the annual level of G.O. spending proposed in last years budget document. FY09 planned G.O. spending is projected to be \$100 million. Figure 1 indicates total capital spending from all sources since FY02 and projected through FY09. The decrease between FY03 and FY04 is attributable to the completion of three new schools and reduced bond issuance.

Total capital expenditures in FY05 are forecast at \$90 million. The total includes \$75 million for general obligation bond spending and \$15 million from various grants. School Department projects will lead the way in planned expenditures. The most ambitious project planned is the expansion of Burke High School. The project will now include a new Grove Hall branch library incorporated into the building addition along with a new gym. The existing gym will be expanded and renovated into a new cafeteria. The capital plan also supports the School Department's efforts to establish a new Early Education Center in Brighton, the relocation of the Boston Community Leadership Academy, and the

reopening of the Winship School. The Holland School will close while extensive exterior renovations including new windows are underway. The students will be relocated to the Thompson School for one year after which the Thompson School, a former middle school closed in FY04, will open as an elementary school. Round 6 of the School Yard Initiative will begin design funded partly with a grant from Jane's Trust.

The Greenway Crossroads Initiative is a multi-year capital program of street improvements that will improve connections among the many neighborhoods surrounding the Rose Kennedy Greenway. It will make it possible to move easily from the harbor and the South Boston waterfront to the Financial District; Chinatown will connect with the Leather District and Fort Point Channel and the North End will reconnect with the West End and the Bulfinch Triangle.

The Property and Construction Management Department with technical assistance being provided by the Boston Redevelopment Authority's Industrial Development and Commercial Real Estate unit are evaluating an industrial building located in West Roxbury for possible acquisition. A building acquisition strategy has been developed to assess the feasibility of relocating other municipal operations that are currently constrained at their existing facilities.

Also, a City working group will be established with members from the Boston Redevelopment Authority that will work to balance the presence of municipal operations located in the Newmarket area with a burgeoning Newmarket "Back Streets" industrial area that is currently experiencing significant growth pressure.

Parks improvements at 28 playlots, ball fields and parks are scheduled. An artificial turf field at Madison Park High School will be installed in FY05. The design of two additional artificial turf fields in East Boston and Roslindale will begin. The Fire Department will order two platform trucks for delivery in Summer 2005. Two police stations will near construction start by the end of the fiscal year. Planning will begin to build a new police station in Charlestown and to replace an existing station in Dudley Square. The Strand Theater's electrical service will be upgraded by this summer. In addition, a larger renovation at the Strand is proposed.

Capital expenditures from all sources are estimated at \$92 million in FY06 and then increase gradually to \$115 million in FY09.

The expenditure trend shown in Figure 1 for the period FY02-FY09 includes expenditures for four of the five schools to which the Administration committed.

Expenditures are not detailed in the FY05-09 capital plan for the construction of the proposed fifth school. When a feasible site is identified, a reliable cost estimate is developed and the state indicates that the facility is eligible for reimbursement, the capital plan will reflect its projected costs.

The City continues to aggressively pursue grant funds, maximize the use of Chapter 90 funds for road and sidewalk projects, and actively manage its projects to ensure that spending does not exceed projections and that priority projects move forward. Together, these strategies will enable the City to maintain a reasonable level of capital spending and borrowing and prudently manage its outstanding debt.

### ***Operating Budget Impacts***

Capital project decisions frequently result in either operating cost increases or savings. Increased costs are often justified through improved or expanded service delivery or unavoidable legal mandates or regulatory requirements. Cost savings are often realized through reduced maintenance, energy savings or other efficiencies. The significance of identifying operating budget impacts continues this year to maintain service delivery during these fiscally constrained times.

Boston requires that each departmental capital funding request be submitted with operating budget impact analysis. Priority is given to capital projects that improve operational efficiencies and save operating dollars.

With the expanded installation of new synthetic turf playing fields throughout the City, the reduction in operating costs related to the new reduced maintenance requirements will be quantified in FY05.

The City currently benefits from the FY03 acquisition of 1010 Massachusetts Avenue, an office building it previously leased from a private owner. Even with the added costs and responsibility associated with debt service and building operations and maintenance, annual city costs are over \$2 million less than the former market-rate lease. In addition to the office building, the city also acquired two acres of land across the street that has been reserved for future municipal purposes. The proposed Newmarket working group, discussed earlier in the Capital Planning chapter, will evaluate municipal office space citywide and assess consolidation opportunities at 1010 Massachusetts Avenue. The working group will also evaluate other

municipal properties in the Newmarket and surrounding areas to assess the prospect of relocating these municipal operations to the 1010 Massachusetts Avenue properties.

The capital plan continues to support investments that will decrease operating expenses by reducing costs associated with emergency repairs, maintenance of old systems, and energy inefficiency. A substantial portion of the City's capital budget is focused on basic facility repairs such as roof replacements, new window installations, heating and cooling system updates, refurbishing parks, playgrounds, play lots, playing courts and ball fields.

The Boston Public Schools, with in-house expertise in building systems and energy management, strategically prioritizes capital investment in building systems, both structural and mechanical that will reduce operating costs. Preventative roof, window, door and boiler repairs translate into operating budget savings. Preventative repairs and/or upgrades reduce the ongoing operating costs associated with repetitive and emergency repairs that are expended from the departmental operating budget.

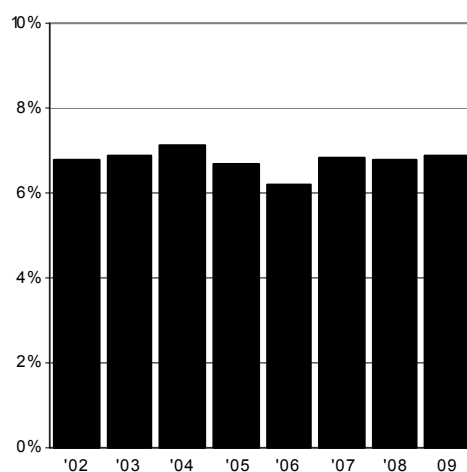
The Boston Public Library implemented a citywide book security system at all the branch libraries. The security system vendor guarantees a significant reduction in the annual stolen book loss rate. This new book security system has mitigated the impact of funding reductions in the Boston Public Library's book appropriation by lessening the need to replace stolen books. A new HVAC system at the Copley Square Library will improve heating and cooling without an increase in energy consumption.

The city will continue its efforts to implement energy efficient capital projects identified as part of continuous facility and equipment evaluation process. Boston now enjoys the benefits of established relationships in the energy industry developed out of the Mayor's Advisory Committee and the creation of an Energy Management Board in FY03. In FY05 the Mayor's Office will finalize an Integrated Energy Management Plan that will set the framework for the Mayor's energy policy and identify implementation priorities and strategies. Capital projects will be prioritized to achieve the most energy efficiency.

### ***Debt Management Policies and Debt Implications of the Plan***

Effective debt management will ensure that the City can meet its capital infrastructure and facility needs. Debt management requires a series of decisions about the amount, timing, purposes and structure of debt issuance. The long-term debt related to capital investment has two main purposes:

- (1) it finances acquisition, construction, repair and renovation of City-owned buildings and equipment that are necessary to provide public services; and
- (2) it finances infrastructure improvements needed for the City's continued growth and maintains safe roadway conditions.



**Gross Debt Service as a Percent of Total General Fund Expenditures**  
FY02 - FY09

Figure 2

The Treasury Department manages all City borrowings. It has focused in particular on the timing of borrowings, paying special attention to favorable market conditions. The City adopted a set of debt management policies that were implemented by the Treasury Department. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The goal is to rapidly repay debt, maintain a conservative level of outstanding debt and ensure the City's continued positive financial standing with the bond market.

Key components of the debt management policies ensure that:

- combined net direct debt does not exceed 3% of taxable assessed value;
- at least 40% of the overall debt is repaid within five years and 70% within ten years;
- annual gross debt service costs does not exceed 7% of general fund expenditures;
- the variable rate debt does not exceed 20% of the City's total currently outstanding bonded debt.

Refer to the chapter on Financial Management for further discussion of the City's financial policies and management controls.

The City's debt service forecast assumes general obligation spending as follows: \$75 million in FY05, \$80 million in FY06, \$90 million in FY07 and \$100 million in FY08 and FY09. On February 1, 2004 the city issued \$65 million in general obligation bonds and \$35.9 million in general obligation refunding bonds and on April 1, 2004 the city issued \$42.3 million in general obligation refunding bonds. The debt tables at the end of this chapter detail the City's outstanding debt service obligations and demonstrate the City's rapid retirement of its debt.

The City's gross debt service requirement will exceed 7% of total operating budget expenses in FY04. This is largely due to the loss of local aid supporting the operating budget. The City has responded by lowering its anticipated borrowings over the next five years and has also refunded outstanding debt. As a result debt service as a percentage of total General Fund expenditures is expected to remain below 7% from FY05 through FY09 (See Figure 2).

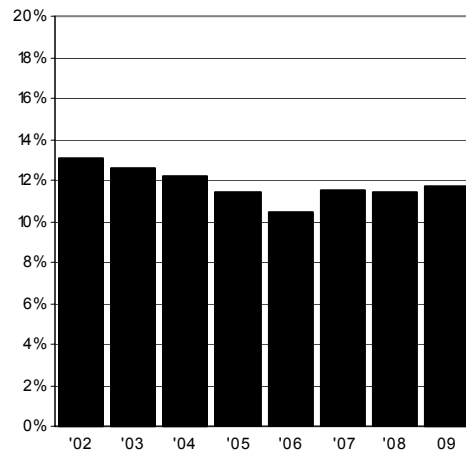
The ratio of debt service to the City's primary revenue source, the property tax levy, declined significantly in the early 1990s. This ratio is projected to decrease modestly in FY05 and FY06 and then increase in FY07 due to debt issuance for new schools (Figure 3.)

The City's current overall debt burden (net direct debt to assessed property value of \$57.53 billion) is approximately 1.32% as of April 1, 2004. The City's net direct debt per capita currently stands at approximately \$1,284.69 as of April 1, 2004.

Boston has been conservative about assuming long-term debt and aggressive about retiring debt expeditiously.

As of April 1, 2004, the City's debt retirement schedule shows that 34.3% of its principal will be retired five years out, before the end of fiscal year 2008. (Figure 4). (It should be noted that had this table been dated as of June 30, 2003, to include the entire fiscal year's

principal, the debt retirement schedule would reflect that 43.1% of the City's principal would be retired by the



**Gross Debt Service as a Percent of the Net Property Tax Levy**  
FY02 - FY09

Figure 3

end of fiscal 2008). This overall approach to debt issuance has significantly shaped the City's capital investment strategy. Upgrades to the City's bond rating have also recognized the successful capital investment strategy. In February 2004, Moody's Investors Service, Standard and Poor's and Fitch IBCA, Inc. awarded the City with bond ratings of Aa2, AA and AA-, respectively.

Boston has had twelve general obligation bond sales over the past decade, the most recent of which was for \$65 million in February 1, 2004. The City also has had eight general obligation refunding issues, the most recent was on April 1, 2004, which achieved significant interest rate savings.

### **Major Capital Projects**

Table 1 lists the major projects being undertaken by the Capital Plan. Descriptions on all 491 projects can be found in Volumes II and III of the Budget. The project descriptions include authorizations and funding sources, projected expenditures and scope information.

### **Boston Convention and Exhibition Center**

The Convention Center Act authorizes the development of the Boston Convention and Exhibition Center (BCEC) Project on a 60-acre site in South Boston through the joint efforts of the City, the Commonwealth, the Boston Redevelopment Authority (BRA) and the Massachusetts Convention Center Authority (MCCA). The facility will include over 500,000 square feet of contiguous exhibition space, as well as ballrooms,

meeting rooms, banquet and lecture halls. The BRA was authorized and directed by the Convention Center Act to acquire the site for the BCEC Project and to carry out all required site preparation, including relocation of tenants, demolition, environmental remediation, and conveyance of the site to the MCCA for nominal consideration. The MCCA is responsible for the design and construction of the BCEC, and its operation upon completion.

Under the Convention Center Act, all costs of site acquisition and preparation incurred by the BRA for the BCEC Project have been borne by the City up to an initial ceiling of \$157.8 million. All such costs in excess of \$157.8 million and up to \$205 million have been borne by the Commonwealth. As the costs of site acquisition and preparation exceed \$205 million, the Convention Center Act provides that the City and the Commonwealth will share the excess equally up to a maximum of \$50 million (i.e., an additional \$25 million each).

Over an approximately five year period, the BRA has expended \$219.4 million on site acquisition and preparation, with the bulk of the expenditures occurring during fiscal years 1999 and 2000, and with site acquisition the largest cost. As required by the Convention Center Act, the state has reimbursed the BRA for a portion of this cost, which to date totals \$61.6 million. The remaining cost for site acquisition and preparation is primarily dependent on the outcome of eminent domain court cases for those parcels for which a final settlement has not been reached (approximately 7% of the site acreage). The City estimates that the potential liability of the Commonwealth and the City for site acquisition and site preparation costs will not exceed the total amount authorized for site acquisition and site preparation in the Convention Center Act.

In accordance with the requirements of the Convention Center Act, on March 11, 1998, the City Council and the Mayor approved the Loan Order authorizing the issuance of up to \$157.8 million in Convention Center Bonds, and notes in anticipation thereof, to fund costs of site acquisition and preparation. The City initially funded its BCEC Project costs through issuance in May 1999 of \$130 million in bond anticipation notes. In February 2000, the City issued another \$27.8 million in bond anticipation notes for BCEC Project costs. With cash accumulated in the hotel excise fund and with bonds issued in April 2002, the City retired the bond anticipation notes and set aside \$15 million in a project

site fund for its estimated 50% share of site acquisition and site preparation costs in excess of \$205 million.

Convention Center Bonds issued by the City to retire the bond anticipation notes were issued as special obligation bonds secured by a pledge of all or a portion of the City's receipts from (i) the City's receipts from the 4% local option excise tax on the transfer of rooms in any hotel, motel or other lodging establishment in the City, (ii) the City's \$1 share of the Commonwealth's receipts from a \$10 surcharge imposed on each vehicular rental transaction in the City, and (iii) all proceeds from the issuance and sale of the first 260 taxi medallion licenses issued by the Commissioner of Police after enactment of the Convention Center Act. The last two supporting revenues were established as new City revenue sources in the Convention Center Act.

The BRA provided direction, expertise and services with respect to the drafting and approval process for the environmental impact report for the project and a marketability study required by the Convention Center Act. Both the environmental impact report and the marketability study were completed and accepted in 1998. Site acquisition was completed early in 2000. The BRA has completed relocation of tenants on the project site.

The BRA's site preparation (demolition and environmental remediation) allowed for a groundbreaking for construction of the BCEC by the MCAA in spring 2000. All costs of design and construction of the BCEC Project is being funded by the Commonwealth out of bond proceeds supported by the state Convention Center Fund established pursuant to the Convention Center Act. The MCCA's construction budget for the BCEC Project is \$620.5 million. A guaranteed maximum price has been negotiated between the MCCA and the construction manager that includes a deadline for the construction manager that is structured both by financial incentives and penalties, and clearly defines the circumstances under which the financial burden of cost overruns shall be shifted from the MCCA to the construction manager. The BCEC Project is on schedule to be completed in June 2004.



Table 1

**Major Capital Projects FY2005 -- 2009 Plan**

<b>Project</b>	<b>Description</b>	<b>Plan Budget</b>
Burke High School	Design and construct an addition that will include a new full service neighborhood branch library and gym. The existing school building will be renovated to include a new cafeteria and general building improvements.	39,750,000
Charlestown Police Station	Complete a site assessment of a BHA owned parcel. Architectural programming and design for a new police station.	7,825,000
Holland School Exterior	Replace exterior building walls, windows, roof, HVAC system, fencing and paving. Increase building security system.	6,700,000
Roslindale Community Center	Complete rehabilitation of community center including upgrades to the gym floor, the running track, office space, bathrooms, gym and interior lighting, plumbing, heating, paint and masonry repairs; reprogram health center space.	4,700,000
Madison Park Field	Design and construct a new synthetic turf playing field.	3,600,000
Strand Theater	Masonry repairs including the portico; repair or replace fire doors, regular doors and windows; paint and plaster; refurbish theater seating; replace boiler; sprinkler and security system work; upgrade exit lighting; and upgrade exterior lighting.	2,500,000
Back Streets Program	Design and construction of public infrastructure to support commercial and industrial areas of the city identified through the Back Streets program.	1,700,000
Boylston Street Street Lights	Install new street lights from Arlington Street to Massachusetts Avenue.	1,500,000
School Yard Improvements Round 6	School yard improvements at six locations including the P. Shaw and Russell, Dorchester; Guild, East Boston; Channing, Hyde Park; Philbrick, Roslindale; and Mission Hill Pilot K-8, Roxbury.	1,500,000
East Boston Memorial Park	Design and install a new synthetic turf multi-use field.	1,056,000
Long Island Bridge Rehabilitation	Rehabilitate bridge. State and/or Federal construction funding anticipated.	32,523,000
McKim Library Phase II C	Extraordinary repairs and rehabilitation of the McKim Building. Phase II C interior and exterior restoration work includes the Abbey Room and the Sargent murals.	20,400,000
Fire Alarm Replacement at 7 Schools	Upgrade fire alarms, emergency lights, PA system and system clocks at: Condon and Tynan, South Boston; Hennigan, Jamaica Plain; Mattahunt, Mattapan; Blackstone, South End ; Ohrenberger, West Roxbury; and Charlestown High School and Athletic Building.	10,579,200
Charlestown High School	Replace roof and windows. Repair masonry.	6,870,000
Long Island Fire Alarm and Sprinklers	Upgrade fire alarm and sprinkler systems on Long Island.	3,000,000
Johnson Building Fire Alarm Upgrade	Upgrade the existing fire alarm system in the Johnson Building.	2,775,700
Scolly Square	Reconstruct Scollay Square in conjunction with MBTA project at Government Center station.	2,000,000
Madison Park High School Fire Alarm	Replace fire alarms in the Humphrey Occupational Resource Center.	1,943,000
Connolly Branch Library	Improve access for persons with disabilities, replace roof and complete various interior improvements.	1,223,610
Greenway Crossroads Initiative	The Crossroads Initiative is a multi-year capital program of street improvements that will improve connections among the neighborhoods surrounding the Rose Kennedy Greenway.	1,000,000

# Capital Project Financing

Fiscal Years 2005 - 2009

1 4 8

	Existing Authorization	FY05 Authorization	FY06-09 Authorization	State	Federal	Other	Trust	Total
Boston Center for Youth and Families	14,271,575	4,087,200	16,481,550	0	0	0	0	\$34,840,325
Boston Redevelopment Authority	10,674,300	0	850,000	5,287,000	0	0	0	\$16,811,300
Environment Department	2,090,000	400,000	500,000	0	0	25,000	0	\$3,015,000
Fire Department	23,589,749	4,654,000	13,417,150	0	0	0	0	\$41,660,899
Graphic Arts Department	1,850,600	0	0	0	0	0	0	\$1,850,600
Library Department	30,625,053	250,000	18,835,000	15,225,000	291,358	4,708,642	0	\$69,935,053
Management Information Services	19,595,800	0	1,050,000	750,000	0	0	0	\$21,395,800
Neighborhood Development	11,388,300	13,800,000	20,745,000	29,363,000	0	0	0	\$75,296,300
Office of Budget Management	100,000	0	0	0	0	0	0	\$100,000
Parks and Recreation Department	32,753,785	10,585,500	4,888,100	33,158,944	49,800,000	11,600,556	0	\$142,786,885
Police Department	17,005,750	4,085,000	8,917,250	0	0	0	0	\$30,008,000
Property and Construction Management Department	57,003,013	1,138,900	1,918,000	0	0	0	150,000	\$60,209,913
Public Health Commission	14,288,500	750,000	4,800,000	0	0	0	0	\$19,838,500
Public Works Department	78,687,880	15,685,000	37,630,583	159,690,553	56,872,939	25,514,750	75,000	\$374,156,705
School Department	98,903,691	38,586,600	50,443,400	0	0	750,000	0	\$188,683,691
Transportation Department	9,450,757	0	0	6,930,543	2,400,000	0	0	\$18,781,300
<b>Total</b>	<b>422,278,753</b>	<b>94,022,200</b>	<b>180,476,033</b>	<b>250,405,040</b>	<b>109,364,297</b>	<b>42,598,948</b>	<b>225,000</b>	<b>1,099,370,271</b>

C a p i t a l P l a n n i n g

# CITY of BOSTON

## DEBT SERVICE PAYMENTS on GENERAL OBLIGATION BONDS

@ April 1, 2004

- Stated in Five Year Intervals -  
(\$ in thousands)

DATE of ISSUE		AMOUNT ISSUED		F'04 through F'08		F'09 through F'13		F'14 through F'18		F'19 through F'23		F'24 through F'28		@ 4/ 1/04	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
April 1, 2004	R	42,330		23,690	5,193	18,640	1,604		0	0	0	0		42,330	6,797
February 1, 2004		65,000		12,750	6,594	18,240	3,221	4,880	366	0	0	0		35,870	10,181
February 1, 2004	R	35,870		15,200	10,536	18,320	9,439	15,630	5,172	13,280	2,144	2,570	109	65,000	27,400
February 1, 2003	R	28,515		8,925	4,561	15,865	3,305	3,725	186	0	0	0		28,515	8,052
February 1, 2003		25,000		5,200	3,961	6,500	3,826	6,100	2,315	6,000	888	0	0	23,800	10,990
February 1, 2003		33,500		2,800	6,020	5,865	6,735	9,580	5,019	14,645	2,288	0	0	32,890	20,062
February 1, 2003		75,000		20,220	11,093	20,475	9,902	17,000	5,381	12,250	1,813	0	0	69,945	28,190
November 15, 2002	R	43,070		22,505	3,864	6,295	315	0	0	0	0	0	0	28,800	4,179
August 15, 2002	R	48,640		1,125	8,209	18,070	9,399	20,850	4,331	7,750	522	0	0	47,795	22,461
February 1, 2002		100,000		23,915	13,933	27,080	12,196	21,765	6,883	15,060	1,883	0	0	87,820	34,895
April 1, 2001	R	52,025		7,760	7,776	30,010	5,838	9,540	716	0	0	0	0	47,310	14,330
February 1, 2001		120,000		30,500	15,005	29,980	12,014	22,155	6,220	12,285	1,229	0	0	94,920	34,467
February 1, 2000		120,000		27,915	6,978	16,240	1,732	0	0	0	95	0	0	44,155	8,805
MWPAT - October 15, 1999		13,389		2,360	2,165	3,311	1,993	3,840	1,028	1,695	99	0	0	11,206	5,284
October 15, 1998		120,000		26,740	14,434	26,525	9,062	23,540	3,555	4,645	0	0	0	81,450	27,051
35,900.00		15,000		3,490	1,644	3,200	1,201	2,655	418	0	0	0	0	9,345	3,263
35,900.00 R	R	62,855		13,530	7,290	21,970	5,639	5,970	474	0	0	0	0	41,470	13,403
January 15, 1998		90,000		18,490	4,997	3,175	3,646	13,030	1,760	0	0	0	0	34,695	10,403
November 15, 1996		90,000		16,200	3,088	0	1,250	5,000	750	0	0	0	0	21,200	5,088
October 15, 1995		75,000		7,300	365	0	0	0	0	0	0	0	0	7,300	365
September 1, 1994		70,000		5,040	135	0	0	0	0	0	0	0	0	5,040	135
				295,655	137,841	289,761	102,317	185,260	44,573	87,610	10,959	2,570	109	860,856	295,800
					433,496		392,078		229,833		98,569		2,679		1,156,656

@ 4/ 1/04:

% of Total Principal and

Interest Retired in 5 Years: 34% 47%

% of Total Principal and

Interest Retired in 10 Years: 68% 81%

% of Total Principal and

Interest Retired in 15 Years: 90% 96%

% of Total Principal and

Interest Retired in 20 Years: 100% 100%

% of Total Principal and

Interest Retired in 25 Years: 100% 100%

## Outstanding Debt by Purpose as of April 1, 2004

	Outstanding @ April 1, 2004	Percent of Total Outstanding Debt
<b>General Purpose:</b>		
Acquisition of Land, Parks and Recreation/ Outdoor Facilities/Cemeteries/LandFill Areas	73,502,057.55	8.55
Departmental Equipment	18,923,934.74	2.20
Departmental Equipment/Fire Boat Acquisition	86,759.66	0.01
Computer Hardware/Software	24,308,246.42	2.82
Remodeling & Extraordinary Repairs	265,442,192.14	30.83
Rem., Recon., Rehab., Firefighting Apparatus	0.00	0.00
Engineering and Architectural Services	1,652,930.12	0.19
	383,916,120.63	44.60
<b>Urban Development:</b>		
Economic Development and Industrial Corporation	5,027,744.23	0.58
Urban Redevelopment and Renewal	28,174,956.86	3.26
	33,202,701.09	3.84
<b>Schools:</b>		
Capital Improvements, Act of 1966	0.00	0.00
Capital Improvements, Act of 1973	633,005.92	0.07
Capital Improvements, Act of 1991	27,562,907.19	3.20
Capital Improvements, Act of 1996	31,215,471.73	3.63
Construction of Buildings	23,800,000.00	2.76
School Project Loan, Chapter 70B	67,461,621.65	7.84
	150,673,006.49	17.50
<b>Public Buildings:</b>		
Capital Improvements, Act of 1966	5,050.94	0.00
Capital Improvements, Act of 1973	8,928,555.32	1.04
Capital Improvements, Act of 1991	62,716,793.78	7.29
Capital Improvements, Act of 1996	37,005,272.94	4.30
Construction of Buildings	102,173,061.13	11.86
	210,828,734.11	24.49
<b>Public Works:</b>		
Construction of Bridges	22,955,030.90	2.67
Construction of Public Ways	38,371,764.52	4.45
Construction of Sidewalks	5,887,358.38	0.69
Traffic Signals, Public/Street Lighting, Fire Alarms	15,021,317.81	1.74
	82,235,471.61	9.55
<b>GRAND TOTAL =</b>	<b>860,856,033.93</b>	<b>100.00%</b>

<p align="center"><b>RATE of PRINCIPAL RETIREMENT on GENERAL OBLIGATION BONDS:</b></p>
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**Fiscal Years Ending June 30, 2004 - 2024**

**(as of April 1, 2004)**

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>	<u>Percentage of Total Principal Amount Retired:</u>
@4/1/04:		
2004 - 2008	295,654,705.00	34.34 %
2009 - 2013	289,761,329.00	33.66 %
2014 - 2018	185,260,000.00	21.52 %
2019 - 2023	87,610,000.00	10.18 %
2014 - 2028	2,570,000.00	0.30 %
	<u>860,856,034.00</u>	<u>100.00 %</u>

**Figure 4**

**CAPITAL FUND DEBT SERVICE REQUIREMENTS - FISCAL YEARS 2003 to 2009**

	Actual FY03	Projected FY04	Projected FY05	Projected FY06	Projected FY07	Projected FY08	Projected FY09
Gross Debt Service Requirements - Bonded Debt:							
Total Principal:	86,611,045	86,490,297	85,425,488	78,021,592	86,525,539	89,057,086	95,112,660
Total Interest:	38,960,072	42,155,332	40,031,134	41,709,865	49,123,459	50,635,503	51,837,847
(1) Total	<b>\$125,571,117</b>	<b>\$128,645,629</b>	<b>\$125,456,622</b>	<b>\$119,731,457</b>	<b>\$135,648,998</b>	<b>\$139,692,589</b>	<b>\$146,950,507</b>
Less Revenue Deemed Available from Related Sources:							
Boston Medical Center	2,669,165	2,240,844	1,766,791	918,855	773,544	631,895	752,601
Boston Public Health Commission	1,929,177	1,769,448	1,156,990	731,770	709,398	553,771	681,246
Water and Sewer Payments	0	0	0	0	0	0	0
Gardner Street Landfill Subsidy	596,577	581,779	566,722	551,381	535,707	519,627	503,119
(2) Irrigation Project	106,997	269,504	278,102	326,736	319,842	312,477	302,696
(3) 1010 Massachusetts Avenue Project	0	1,520,102	1,486,053	1,532,226	1,574,629	1,624,472	1,672,937
Accrued Interest	618,969	593,564	335,939	100,000	100,000	100,000	100,000
Premium	1,627,751	1,488,497	3,879,494	100,000	100,000	100,000	100,000
Plus: Interest on Temporary Loan Notes and Other Items:							
Revenue Anticipation	0	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Cost of Issuance	137,041	500,000	500,000	500,000	500,000	500,000	500,000
(4) School B.A.N.'s	3,170,000	2,892,500	2,892,500	2,892,500	0	0	0
<b>Total Debt Service/Budget Summary:</b>	<b>\$121,329,524</b>	<b>\$126,574,402</b>	<b>\$122,379,031</b>	<b>\$121,862,989</b>	<b>\$135,035,878</b>	<b>\$139,350,347</b>	<b>\$146,337,908</b>
Additional Adjustments:							
Less:							
School Construction Assistance	17,232,498	16,882,423	16,147,886	15,466,700	19,588,623	22,229,106	21,716,014
(4) Room Occupancy Excise Fund	7,807,460	7,917,650	8,272,150	8,268,150	8,270,113	8,268,938	8,269,363
Plus:							
(4) Convention Center Special Obligation Bonds	7,807,460	7,917,650	8,272,150	8,268,150	8,270,113	8,268,938	8,269,363
<b>Total Net Debt Service Requirements:</b>	<b>\$104,097,026</b>	<b>\$109,691,979</b>	<b>\$106,231,145</b>	<b>\$106,396,289</b>	<b>\$115,447,255</b>	<b>\$117,121,241</b>	<b>\$124,621,894</b>

NOTES:

- (1) FY03 - On February 1, 2003, the City issued \$75 million in General Obligation Bonds with a 20 year maturity and an average interest rate of 4.31%.
- FY03 - On February 1, 2003, the City issued \$33.5 million in General Obligation Bonds for the 1010 Massachusetts Avenue project with a 20 year maturity and an average interest rate of 4.31%.
- FY03 - On February 1, 2003, the City issued \$25 million in General Obligation Bonds for School purposes with a 20 year maturity and an average interest rate of 4.31% in order to permanently finance the City's Bond Anticipation Notes of February 1, 2001.
- FY03 - On February 1, 2003, the City issued \$28.515 million in General Obligation Refunding Bonds with a 10 year maturity and an average interest rate of 4.04%.
- FY04 - On February 1, 2004, the City issued \$65 million in General Obligation Bonds with a 20 year maturity and an average interest rate of 4.43%.
- FY04 - On February 1, 2004, the City issued \$35.870 million in General Obligation Refunding Bonds with a 11 year maturity and an average interest rate of 4.73%.
- FY04 - On April 1, 2004, the City issued \$42.330 million in General Obligation Refunding Bonds with an 8 year maturity and an average interest rate of 4.13%.
- Assumes debt issuance as follows...
- FY05 - Assumes General Obligation debt issuance of \$75 million, with a 20 year maturity and average interest rate of 5.5%.
- FY06 - Assumes General Obligation debt issuance of \$80 million, with a 20 year maturity and average interest rate of 6.0%.
- FY06 - Assumes General Obligation debt issuance for School purposes of \$96 million, with a 20 year maturity and average interest rate of 6.0%.
- FY07 - Assumes General Obligation debt issuance of \$90 million, with a 20 year maturity and average interest rate of 6.0%.
- FY08 - Assumes General Obligation debt issuance of \$100 million, with a 20 year maturity and average interest rate of 6.0%.
- FY09 - Assumes General Obligation debt issuance of \$100 million, with a 20 year maturity and average interest rate of 6.0%.
- Debt Service Costs will be offset by the "Fund for Parks and Recreation".
- (2) Debt Service Costs will be offset by charging City departments for the space they occupy.
- (3) Debt Service Costs will be offset by charging City departments for the space they occupy.
- (4) On February 1, 2002, the City issued \$62 million in Bond Anticipation Notes at an interest rate of 3.5% which will mature on February 1, 2006.
- On February 1, 2003, the City issued \$34 million in Bond Anticipation Notes at an interest rate of 2.125% which will mature on February 1, 2006.
- (5) On April 15, 2002, the City retired Convention Center Notes dated May 1, 1999 and February 1, 2000 with the issuance of \$116.9 million in Special Obligation Bonds for the Convention Center with a 25 year maturity and an average interest rate of 4.83%. Pledged revenues will be dedicated to the repayment of the debt service.